

SECOND REGULAR SESSION

SENATE BILL NO. 1361

92ND GENERAL ASSEMBLY

INTRODUCED BY SENATORS GRIESHEIMER AND LOUDON.

Read 1st time March 1, 2004, and ordered printed.

TERRY L. SPIELER, Secretary.

4612S.03I

AN ACT

To repeal sections 143.011, 163.011, 163.031, and 163.036, RSMo, and to enact in lieu thereof six new sections relating to the school foundation formula, with an emergency clause for a certain section.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 143.011, 163.011, 163.031 and 163.036, RSMo, are repealed and six new sections enacted in lieu thereof, to be known as sections 135.905, 143.011, 160.417, 163.011, 163.031, and 163.036, to read as follows:

135.905. 1. For the purposes of this section the following terms shall mean:

(1) "Property taxes accrued", as such term is defined in section 135.010, except that no claimant shall be allowed to claim property taxes for school levies on more than one residence for the same period of occupancy;

(2) "Rent constituting property taxes accrued", as defined in section 135.010, provided that no claimant shall be allowed to claim rent constituting property taxes accrued on more than one residence for the same period of occupancy;

(3) "School levy", a property tax levy imposed by a political subdivision that receives funding pursuant to section 163.031, RSMo.

2. There is hereby created the school property tax credit, which shall be a credit against the tax liability imposed pursuant to subsection 2 of section 143.011, RSMo, and equal to the amount of property taxes accrued by a resident taxpayer for property taxes accrued pursuant to the school levy on the taxpayer's primary residence in Missouri or rent constituting property taxes accrued on the taxpayer's primary residence in Missouri.

3. In the case of a taxpayer owning or renting the taxpayer's residence wherein another taxpayer also claims such residence as the taxpayer's primary

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

residence, the credit for all such taxpayers shall be equal to:

(1) The amount of property taxes accrued as a result of the school levy, in the case of an owner; or

(2) The total rent constituting property taxes accrued in the case of a renter or lessee.

143.011. 1. A tax is hereby imposed for every taxable year on the Missouri taxable income of every resident. The tax shall be determined by applying the tax table or the rate provided in section 143.021, which is based upon the following rates:

If the Missouri taxable income is:

The tax is:

Not over \$1,000.00

1 1/2% of the Missouri

taxable income

Over \$1,000 but not over \$2,000

\$15 plus 2% of excess

over \$1,000

Over \$2,000 but not over \$3,000

\$35 plus 2 1/2% of excess

over \$2,000

Over \$3,000 but not over \$4,000

\$60 plus 3% of excess

over \$3,000

Over \$4,000 but not over \$5,000

\$90 plus 3 1/2% of excess

over \$4,000

Over \$5,000 but not over \$6,000

\$125 plus 4% of excess

over \$5,000

Over \$6,000 but not over \$7,000

\$165 plus 4 1/2% of excess

over \$6,000

Over \$7,000 but not over \$8,000

\$210 plus 5% of excess

over \$7,000

Over \$8,000 but not over \$9,000

\$260 plus 5 1/2% of excess

over \$8,000

Over \$9,000

\$315 plus 6% of excess

over \$9,000

2. For each taxable year beginning on or after January 1, 2005, in addition to the tax imposed pursuant to subsection 1 of this section, a tax shall be imposed on each resident individual taxpayer, whether filing a separate or combined state return, in an amount equal to two percent of the Missouri taxable income of the taxpayer. The commissioner of administration shall quarterly estimate the additional revenue collected pursuant to this subsection and deposit such revenue in the school moneys fund created pursuant to section 166.051, RSMo. The tax liability imposed pursuant to this subsection shall only be reduced by the school property tax credit created pursuant to section 135.905, RSMo.

160.417. Any school district not located in a metropolitan school district or not located in an urban school district containing most or all of a city with a population greater than three hundred fifty thousand inhabitants may elect to become a charter district. Such districts may issue charters to schools within their district. Such a charter school shall:

(1) Be nonsectarian in its programs, admission policies, employment practices, and all other operations;

(2) Comply with laws and regulations of the state relating to health, safety, and minimum educational standards;

(3) Except as provided in this section, be exempt from all laws and rules relating to schools, governing boards, and school districts;

(4) Be financially accountable, use practices consistent with the Missouri financial accounting manual, provide for an annual audit by a certified public accountant, and provide liability insurance to indemnify the school, its board, staff, and teachers against tort claims. For the purposes of securing such insurance, a charter school shall be eligible for the Missouri public entity risk management fund pursuant to section 537.700, RSMo. A charter school that incurs debt must include a repayment plan in its financial plan;

(5) Provide a comprehensive program of instruction for at least one grade or age group from kindergarten through grade twelve, which may include early childhood education if funding for such programs is established by statute, as specified in its charter;

(6) Design a method to measure pupil progress toward the pupil academic standards adopted by the state board of education pursuant to section 160.514, collect baseline data during at least the first three years for determining how the charter school is performing and to the extent applicable, participate in the statewide system of assessments, comprised of the essential skills tests and the nationally standardized norm-referenced achievement tests, as designated by the state board pursuant to section 160.518, complete and distribute an annual report card as prescribed in section 160.522, report to its sponsor, the local school district, and the state board of education as to its teaching methods and any educational innovations and the results thereof, and provide data required for the study of charter schools pursuant to subsection 3 of section 160.410. No charter school will be considered in the Missouri school improvement program review of the district in which it is located for the resource or process standards of the program. Nothing in this paragraph shall be construed as permitting a charter school to be held to lower performance standards than other public schools within a district; however, the charter of a charter school may permit students to meet

performance standards on a different time frame as specified in its charter;

(7) Assure that the needs of special education children are met in compliance with all applicable federal and state laws and regulations.

163.011. As used in this chapter unless the context requires otherwise, **the following terms shall mean:**

(1) ["Adjusted gross income":

(a) "District adjusted gross income per return" shall be the total Missouri individual adjusted gross income in a school district divided by the total number of Missouri income tax returns filed from the school district as reported by the state department of revenue for the second preceding year;

(b) "State adjusted gross income per return" shall be the total Missouri individual adjusted gross income divided by the total number of Missouri individual income tax returns, of those returns designating school districts, as reported by the state department of revenue for the second preceding year;

(c) "District income factor" shall be one plus thirty percent of the difference of the district income ratio minus one, except that the district income factor applied to the portion of the assessed valuation corresponding to any increase in assessed valuation above the assessed valuation of a district as of December 31, 1994, shall not exceed a value of one;

(d) "District income ratio" shall be the ratio of the district adjusted gross income per return divided by the state adjusted gross income per return;

(2)] "Adjusted operating levy", the sum of tax rates for the current year for teachers' and incidental funds for a school district as reported to the proper officer of each county pursuant to section 164.011, RSMo;

[(3)] (2) "Average daily attendance" [means], the quotient or the sum of the quotients obtained by dividing the total number of hours attended in a term by resident pupils between the ages of five and twenty-one by the actual number of hours school was in session in that term. To the average daily attendance of the following school term shall be added the full-time equivalent average daily attendance of summer school students. "Full-time equivalent average daily attendance of summer school students" shall be computed by dividing the total number of hours attended by all summer school pupils by the number of hours required in section 160.011, RSMo, in the school term. For purposes of determining average daily attendance under this subdivision, the term "resident pupil" shall include all children between the ages of five and twenty-one who are residents of the school district and who are attending kindergarten through grade twelve in such district. If a child is attending school in a district other than the district of residence and the child's parent is teaching in the school district or is a regular employee of the school district which the child is attending, then such child shall be considered a resident pupil of the school district which the child is attending for such period of time when the district of residence is not otherwise liable for

tuition. Average daily attendance for students below the age of five years for which a school district may receive state aid based on such attendance shall be computed as regular school term attendance unless otherwise provided by law;

(3) **"Base amount", for the 2004-2005 school year, the base amount shall be five thousand dollars. For each subsequent school year the base amount shall be adjusted by the general price level as defined in article X, section 17 of the Missouri Constitution or by five percent, whichever is lower;**

(4) "Current operating costs", all expenditures for instruction and support services excluding capital outlay and debt service expenditures less the revenue from federal categorical sources, food service, student activities and payments from other districts;

(5) "District equalized assessed valuation" [shall be], the average of the "equalized assessed valuation of the property of a school district" for the first and second preceding years;

(6) "District's target rate", the district's average percentage of pupils from fiscal years 2000 to 2005 scoring at or above the proficiency level on the statewide assessment system on either mathematics or reading/communication arts plus one percentage point for each year after fiscal year 2005 except that the district's target rate shall not exceed the statewide average percentage from fiscal year 2000 to fiscal year 2005 scoring at or above the proficiency level on the statewide assessment system on either mathematics or reading/communication arts;

(7) "District's tax rate ceiling", the highest tax rate ceiling in effect subsequent to the 1980 tax year or any subsequent year. Such tax rate ceiling shall not contain any tax levy for debt service;

(8) "Eligible pupils" [shall be], the sum of the average daily attendance of the school term plus the product of two times the average daily attendance for summer school **plus the product of one and four-hundredths multiplied by the middle school eligible pupil count plus the product of one and eight-hundredths multiplied by the high school eligible pupil count plus the product of one and one-quarter multiplied by the free and reduced lunch eligible pupil count plus the product of one and one-half multiplied by the gifted eligible pupil count plus the product of one and three-quarters multiplied by the special needs eligible pupil count plus the product of one and one-quarter multiplied by the English as a second language eligible pupil count plus the product of one and one-tenth multiplied by the urban district overburden count, expressed mathematically as follows:**

EP = ADA + (2 x ADA summer school) + (1.04 x middle school eligible pupil count) + (1.08 x high school eligible pupil count) + (1.25 x free and reduced lunch eligible pupil count) + (1.5 x gifted eligible pupil count) + (1.75 x special needs eligible pupil count) + (1.25 x English as a second language eligible pupil count) + (1.1 x

urban district overburden count);

(9) "English as second language eligible pupil count", the number of resident pupils for whom English is not their native language and whose language arts scores are below grade-level on the statewide assessment as of the last Wednesday in January for the preceding school year, as approved by standards of the department;

[(9)] (10) "Equalized assessed valuation of the property of a school district" for a given year shall be determined by multiplying the assessed valuation of the real property subclasses specified in section 137.115, RSMo, times the percent of true value as adjusted by the department of elementary and secondary education to an equivalent sales ratio of thirty-three and one-third percent and dividing by either the percent of true value as determined by the state tax commission on or before March fifteenth preceding the fiscal year in which the valuation will be effective as adjusted by the department of elementary and secondary education to an equivalent sales ratio of thirty-three and one-third percent or the average percent of true value for the highest three of the last four years as determined and certified by the state tax commission, whichever is greater. To the equalized locally assessed valuation of each district shall be added the assessed valuation of tangible personal property. The assessed valuation of property which has previously been excluded from the tax rolls, which is being contested as not being taxable and which increases the total assessed valuation of the school district by fifty percent or more, shall not be included in the calculation of equalized assessed valuation under this subdivision;

[(10)] (11) "Fiscal instructional ratio of efficiency", the quotient of the sum of the district's current operating costs for all kindergarten through grade twelve direct instructional and direct pupil support service functions plus the costs of improvement of instruction and the cost of purchased services and supplies for operation of the facilities housing those programs, excluding student activities, divided by the sum of the district's current operating cost for kindergarten through grade twelve, plus all tuition revenue received from other districts minus all noncapital transportation costs;

[(11)] (12) "Free and reduced lunch eligible pupil count", the number of pupils eligible for free and reduced lunch on the last Wednesday in January for the preceding school year who were enrolled as students of the district, as approved by the department in accordance with applicable federal regulations;

[(12)] "Guaranteed tax base" means the amount of equalized assessed valuation per eligible pupil guaranteed each school district by the state in the computation of state aid. To compute the guaranteed tax base, school districts shall be ranked annually from lowest to highest according to the amount of equalized assessed valuation per pupil. The guaranteed tax base shall be based upon the amount of equalized assessed valuation per pupil of the school district in which the ninety-fifth percentile of the state aggregate number of pupils

falls during the third and fourth preceding years and shall be equal to the state average equalized assessed valuation per eligible pupil for the third and fourth preceding years times two and one hundred and sixty-seven thousandths; except that, for the purposes of line 14(b) the guaranteed tax base shall be no greater than the guaranteed tax base used for the 1998-99 payment year. The average equalized assessed valuation per pupil shall be the quotient of the total equalized assessed valuation of the state divided by the number of eligible pupils;

(13) "Membership" shall be the average of:

(1) The number of resident full-time students and the full-time equivalent number of part-time students who were enrolled in the public schools of the district on the last Wednesday in September of the previous year and who were in attendance one day or more during the preceding ten school days; and

(2) The number of resident full-time students and the full-time equivalent number of part-time students who were enrolled in the public schools of the district on the last Wednesday in January of the previous year and who were in attendance one day or more during the preceding ten school days, plus the full-time equivalent number of summer school pupils.

"Full-time equivalent number of part-time students" is determined by dividing the total number of hours for which all part-time students are enrolled by the number of hours in the school term. "Full-time equivalent number of summer school pupils" is determined by dividing the total number of hours for which all summer school pupils were enrolled by the number of hours required pursuant to section 160.011, RSMo, in the school term. Only students eligible to be counted for average daily attendance shall be counted for membership;]

(13) "Gifted eligible pupil count", the number of resident pupils eligible for gifted education programs on the last Wednesday in January for the preceding school year, as approved by standards of the department;

(14) "High school eligible pupil count", the sum of the average daily attendance of the school term for students in grades nine through twelve plus the product of two times the average daily attendance for such students for summer school;

(15) "Middle school eligible pupil count", the sum of the average daily attendance of the school term for students in grades six, seven, and eight plus the product of two times the average daily attendance for such students for summer school;

[(14)] **(16) "Operating levy for school purposes" [for districts making transfers pursuant to subsection 4 of section 165.011, RSMo, based upon amounts multiplied by the guaranteed tax base, or making payments or expenditures related to obligations made**

pursuant to section 177.088, RSMo, or any combination of such transfers, payments or expenditures, means], the sum of tax rates levied for teachers' and incidental funds plus the operating levy or sales tax equivalent pursuant to section 162.1100, RSMo, of any transitional school district containing the school district, in the payment year, and, for other districts, means the sum of tax rates levied for incidental, teachers', debt service and capital projects funds plus the operating levy or sales tax equivalent pursuant to section 162.1100, RSMo, of any transitional school district containing the school district, with no more than eighteen cents of the sum levied in the debt service and capital projects funds. Any portion of the operating levy for school purposes levied in the debt service and capital projects funds in excess of a sum of ten cents must be authorized by a vote of the people, after August 28, 1998, approving an increase in the operating levy, or a full waiver of the rollback pursuant to section 164.013, RSMo, with a tax rate ceiling in excess of the minimum tax rate or an issuance of general obligation bond. The operating levy shall be, after all adjustments and equalization of the operating levy, no greater than a maximum value of four dollars and ninety-five cents per one hundred dollars assessed valuation, except that the operating levy shall be no greater than a maximum value of four dollars and seventy cents per one hundred dollars assessed valuation for the purposes of line 2 of subsection 6 of section 163.031. To equalize the operating levy, multiply the aggregate tax rates for teachers' and incidental funds by either the percent of true value, as determined by the state tax commission on or before March fifteenth preceding the fiscal year in which the evaluation will be effective as adjusted by the department of elementary and secondary education to an equivalent sales ratio of thirty-three and one-third percent, or the average percent of true value for the highest three of the last four years as determined and certified by the state tax commission, whichever is greater, and divide by the percent of true value as adjusted by the department of elementary and secondary education to an equivalent sales ratio of thirty-three and one-third percent, provided that for any district for which the equivalent sales ratio is equal to or greater than thirty-three and one-third percent, the equalized operating levy shall be the adjusted operating levy. For any county in which the equivalent sales ratio is less than thirty-one and two-thirds percent, the state tax commission shall conduct a second study in that county and shall use a sample consisting of the parcels used as a sample in the original study combined with an equal number of newly selected parcels. If the new ratio is higher than the original ratio provided by this subdivision, the new ratio shall be used for the purposes of this subdivision and for determining equalized assessed valuation pursuant to subdivision (9) of this section. For the purposes of calculating state aid pursuant to section 163.031, for any district which has not decreased its tax rate from the previous year amount due to an increased amount of a voluntary tax rate rollback, the tax rate used to determine a district's entitlement shall be adjusted so that any decrease in the entitlement due to a decrease in the tax rate resulting from the reassessment shall equal the decrease in the

deduction for the assessed valuation of the district as a result of the change in the tax rate due to reassessment. The tax rate adjustments required under this subdivision due to reassessment shall be cumulative and shall be applied each year to determine the tax rate used to calculate the entitlement;

[(15)] (17) "School purposes", pertains to teachers' and incidental funds;

(18) "Self-sufficiency factor", one plus eight-tenths multiplied by the difference of one subtracted from the self-sufficiency index, expressed mathematically as follows: $1 + [.8(\text{index} - 1)]$;

(19) "Self-sufficiency index", the department of economic development shall annually produce a self-sufficiency index based upon the "self-sufficiency standard in Missouri" as prepared for the Missouri women's council, which shall detail the actual costs of living and working in this state by measuring how much income a family needs to pay for housing, food, child care, health care, transportation, and taxes based on the ages, as well as number of children in each household and the family's geographic location. The index is based on the self-sufficiency annual wage for a family with two adults and two school-aged children and is calculated by establishing a 1.000 index for the county with the lowest self-sufficiency wage. The index for all other counties is calculated by dividing each respective county's self-sufficiency wage by the lowest county self-sufficiency wage and extending to the third decimal place;

(20) "Special needs eligible pupil count", the number of pupils eligible for special education services on the last Wednesday in January for the preceding school year who were enrolled as students of the district, as approved by standards of the department;

[(16)] (21) "Teacher", any teacher, teacher-secretary, substitute teacher, supervisor, principal, supervising principal, superintendent or assistant superintendent, school nurse, social worker, counselor or librarian who shall, regularly, teach or be employed for no higher than grade twelve more than one-half time in the public schools and who is certified under the laws governing the certification of teachers in Missouri.

(22) "Urban District Overburden Count", the number of resident pupils of the district enrolled in any urban school district containing the greater portion of a home rule city with more than four hundred thousand inhabitants and located in more than one county or the number of resident pupils of the district enrolled in any metropolitan school district.

163.031. 1. School districts which meet the requirements of section 163.021 shall be entitled to an amount computed as follows: an amount determined by multiplying the number of eligible pupils by the [lesser of the district's equalized operating levy for school purposes as defined in section 163.011 or two dollars and seventy-five cents per one hundred

dollars assessed valuation multiplied by the guaranteed tax base per eligible pupil times the proration factor plus an amount determined by multiplying the number of eligible pupils by the greater of zero or the district's equalized operating levy for school purposes as defined in section 163.011 minus two dollars and seventy-five cents per one hundred dollars assessed valuation multiplied by the guaranteed tax base per eligible pupil times the proration factor. For the purposes of this section, the proration factor shall be equal to the sum of the total appropriation for distribution under subsections 1 and 2 of this section; and the state total of the deductions as calculated in subsection 2 of this section which do not exceed the district entitlements as adjusted by the same proration factor; divided by the amount of the state total of district entitlements before proration as calculated pursuant to this subsection; provided that, if the proration factor so calculated is greater than one, the proration factor for line 1(b) shall be the greater of one or the proration factor for line 1(a) minus five hundredths, and provided that if the proration factor so calculated is less than one, the proration factor for line 1(a) shall be the lesser of one or the proration factor for line 1(b) plus five hundredths] **base amount by the self-sufficiency factor.**

2. From the district entitlement for each district there shall be deducted the following amounts: an amount determined by multiplying the district equalized assessed valuation by the district's equalized operating levy for school purposes [times the district income factor plus ninety percent of any payment received the current year of protested taxes due in prior years no earlier than the 1997 tax year minus the amount of any protested taxes due in the current year and for which notice of protest was received during the current year] **not to exceed two dollars and seventy-five cents per one hundred dollars assessed valuation**; one hundred percent of the amount received the previous year for school purposes from intangible taxes, fines, forfeitures and escheats, payments in lieu of taxes and receipts from state assessed railroad and utility tax, except that any penalty paid after July 1, 1995, by a concentrated animal feeding operation as defined by the department of natural resources rule shall not be included; one hundred percent of the amounts received the previous year for school purposes from federal properties pursuant to sections 12.070 and 12.080, RSMo; federal impact aid received the previous year for school purposes pursuant to P.L. 81-874 less fifty thousand dollars multiplied by ninety percent or the maximum percentage allowed by federal regulation if that percentage is less than ninety; fifty percent, or the percentage otherwise provided in section 163.087 of Proposition C revenues received the previous year for school purposes from the school district trust fund pursuant to section 163.087; one hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo; and one hundred percent of the amount received the previous year for school purposes from the free textbook fund, pursuant to section 148.360, RSMo.

3. School districts which meet the requirements of section 163.021 shall receive

categorical add-on revenue as provided in this subsection. [There shall be individual proration factors for each categorical entitlement provided for in this subsection, and each proration factor shall be determined by annual appropriations, but no categorical proration factor shall exceed the entitlement proration factor established pursuant to subsection 1 of this section, except that the vocational education entitlement proration factor established pursuant to line 16 of subsection 6 of this section and the educational and screening program entitlements proration factor established pursuant to line 17 of subsection 6 of this section may exceed the entitlement proration factor established pursuant to subsection 1 of this section.] The categorical add-on for the district shall be the sum of: seventy-five percent of the costs of adopting and providing a violence prevention program pursuant to section 161.650, RSMo[, multiplied by the proration factor]; seventy-five percent of the district allowable transportation costs pursuant to section 163.161 [multiplied by the proration factor; the special education approved or allowed cost entitlement for the district, provided for by section 162.975, RSMo, multiplied by the proration factor; seventy-five percent of the district gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, multiplied by the proration factor; the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, multiplied by twenty percent, for a district with an operating levy in excess of two dollars and seventy-five cents per one hundred dollars assessed valuation, or twenty-two percent, otherwise times the guaranteed tax base per eligible pupil times two dollars and seventy-five cents per one hundred dollars assessed valuation times the proration factor plus the free and reduced lunch eligible pupil count for the district, as defined in section 163.011, times thirty percent times the guaranteed tax base per eligible pupil times the following quantity: ((the greater of zero or the district's operating levy for school purposes minus two dollars and seventy-five cents per one hundred dollars assessed valuation) times one or, beginning in the fifth year following the effective date of this section, the quotient of the district's fiscal instructional ratio of efficiency for the prior year divided by the fiscal year 1998 statewide average fiscal instructional ratio of efficiency, if the district's prior year fiscal instructional ratio of efficiency is at least five percent below the fiscal year 1998 statewide average) times the proration factor,] minus court-ordered state desegregation aid received by the district for operating purposes; the career ladder entitlement for the district, as provided for in sections 168.500 to 168.515, RSMo[, multiplied by the proration factor]; the vocational education entitlement for the district, as provided for in section 167.332, RSMo, [multiplied by the proration factor] and the district educational and screening program entitlements as provided for in sections 178.691 to 178.699, RSMo[, times the proration factor].

4. Each district's apportionment shall be the [prorated] categorical add-ons plus the greater of the district's [prorated] entitlement minus the total deductions for the district or zero.

5. (1) In the 1993-94 school year and all subsequent school years, pursuant to section 10(c) of article X of the state constitution, a school district shall adjust upward its operating levy for school purposes to the extent necessary for the district to at least maintain the current operating expenditures per pupil received by the district from all sources in the 1992-93 school year, except that its operating levy for school purposes shall not exceed the highest tax rate in effect subsequent to the 1980 tax year, or the minimum rate required by subsection 2 of section 163.021, whichever is less.

(2) The revenue per eligible pupil received by a district from the following sources: line 1 minus line 10, or zero if line 1 minus line 10 is less than zero, [plus line 14 of subsection 6 of this section,] shall not be less than the revenue per eligible pupil received by a district in the [1992-93] **2005-2006** school year from the foundation formula entitlement payment amount plus the amount of line 14 per eligible pupil that exceeds the line 14 per pupil amount from the 1997-98 school year, or the revenue per eligible pupil received by a district in the 1992-93 school year from the foundation formula entitlement payment amount plus the amount of line 14(a) per eligible pupil times the quotient of line 1 minus line 10, divided by the number of eligible pupils, or zero if line 1 minus line 10 is less than zero, divided by the revenue per eligible pupil received by the district in the 1992-93 school year from the foundation formula entitlement payment amount, whichever is greater. The department of elementary and secondary education shall make an addition in the payment amount of line 19 of subsection 6 of this section to assure compliance with the provisions contained in this section, **provided that, beginning in the 2005-06 school year no district which levies, in the current year, an equalized, adjusted operating levy for school purposes which is no less than two dollars and seventy-five cents per one hundred dollars assessed valuation shall receive, in the current year as compared to the 2004-05 school year, less revenue per pupil pursuant to this subdivision than the revenue the district received in the 2004-05 school year plus the cumulative change in the consumer price index for all urban consumers for the United States, or its successor index, as defined and officially recorded by the United States Department of Labor or its successor agency.**

(3) For any school district which meets the eligibility criteria for state aid as established in section 163.021, but which under subsections 1 to 4 of this section, receives no state aid for two successive school years, other than categorical add-ons, by August first following the second such school year, the commissioner of education shall present a plan to the superintendent of the school district for the waiver of rules and the duration of said waivers, in order to promote flexibility in the operations of the district and to enhance and encourage efficiency in the delivery of instructional services. The provisions of other law to the contrary notwithstanding, the plan presented to the superintendent shall provide a summary waiver, with no conditions, for the pupil testing requirements pursuant to section

160.257, RSMo. Further, the provisions of other law to the contrary notwithstanding, the plan shall detail a means for the waiver of requirements otherwise imposed on the school district related to the authority of the state board of education to classify school districts pursuant to section 161.092, RSMo, and such other rules as determined by the commissioner of education, except that such waivers shall not include the provisions established pursuant to sections 160.514 and 160.518, RSMo.

(4) [In the 1993-94 school year and each school year thereafter for two years, those districts which are entitled to receive state aid under subsections 1 to 4 of this section, shall receive state aid in an amount per eligible pupil as provided in this subsection. For the 1993-94 school year, the amount per eligible pupil shall be twenty-five percent of the amount of state aid per eligible pupil calculated for the district for the 1993-94 school year pursuant to subsections 1 to 4 of this section plus seventy-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1993-94 school year pursuant to subsections 1 to 4 of this section. For the 1994-95 school year, the amount per eligible pupil shall be fifty percent of the amount of state aid per eligible pupil calculated for the district for the 1994-95 school year pursuant to subsections 1 to 4 of this section plus fifty percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1994-95 school year pursuant to subsections 1 to 4 of this section. For the 1995-96 school year, the amount of state aid per eligible pupil shall be seventy-five percent of the amount of state aid per eligible pupil calculated for the district for the 1995-96 school year pursuant to subsections 1 to 4 of this section plus twenty-five percent of the total amount of state aid received by the district from all sources for the 1992-93 school year for which the district is entitled and which are distributed in the 1995-96 school year pursuant to subsections 1 to 4 of this section. Nothing in this subdivision shall be construed to limit the authority of a school district to raise its district operating levy pursuant to subdivision (1) of this subsection.

(5) If the total of state aid apportionments to all districts pursuant to subdivision (3) of this subsection is less than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then the difference shall be deposited in the outstanding schools trust fund. If the total of state aid apportionments to all districts pursuant to subdivision (1) of this subsection is greater than the total of state aid apportionments calculated pursuant to subsections 1 to 4 of this section, then funds shall be transferred from the outstanding schools trust fund to the state school moneys fund to the extent necessary to fund the district entitlements as modified by subdivision (4) of this subsection for that school year with a district entitlement proration factor no less than one and such transfer shall be given priority over all other uses for the outstanding schools trust fund as otherwise provided by law.

6. State aid shall be determined as follows:

District Entitlement

- [1(a). Number of eligible pupils x (lesser of
district's equalized operating levy for school
purposes or two dollars and seventy-five cents
per one hundred dollars assessed valuation) x
(proration x GTB per EP) \$.....]
- 1(b). Number of eligible pupils x (greater of: 0,
or district's equalized operating levy for
school purposes minus two dollars and seventy-five
cents per one hundred dollars assessed valuation)
x (proration x GTB per EP) \$.....]

1. **Number of eligible pupils x base amount x self-sufficiency factor.**

Deductions

2. District equalized assessed valuation x
[district income factor x] district's equalized
operating levy for school purposes [plus
ninety percent of any payment received the
current year of protested taxes due in prior
years no earlier than the 1997 tax year minus
the amount of any protested taxes due in the
current year and for which notice of protest
was received during the current year] **not to
exceed \$2.75 cents per \$100 assessed valuation** \$.....
3. Intangible taxes, fines, forfeitures, escheats,
payments in lieu of taxes, etc. (100% of the
amount received the previous year for school
purposes \$.....
4. Receipts from state assessed railroad and
utility tax (100% of the amount received the
previous year for school purposes) \$.....
5. Receipts from federal properties pursuant to
sections 12.070 and 12.080, RSMo (100% of the
amount received the previous year for school \$.....
6. (Federal impact aid received the previous year
for school purposes pursuant to P.L. 81-874 less
\$50,000) x 90% or the maximum percentage allowed
by federal regulations if less than 90% \$.....

7. Fifty percent or the percentage otherwise provided in section 163.087 of Proposition C receipts from the school district trust fund received the previous year for school purposes pursuant to section 163.087 \$.....
8. One hundred percent of the amount received the previous year for school purposes from the fair share fund pursuant to section 149.015, RSMo \$.....
9. One hundred percent of the amount received the previous year for school purposes from the free textbook fund pursuant to section 148.360, RSMo \$.....
10. Total deductions (sum of lines 2-9) \$.....
- Categorical Add-ons
11. The amount distributed pursuant to section 163.161 [x proration] \$.....
12. Special education approved or allowed cost entitlement for the district pursuant to section 162.975, RSMo, x proration \$.....
13. Seventy-five percent of the gifted education approved or allowable cost entitlement as determined pursuant to section 162.975, RSMo, x proration \$.....
- 14(a). Free and reduced lunch eligible pupil count for the district, as defined in section 163.011, x .20, if operating levy in excess of \$2.75, or .22, otherwise x GTB per EP x \$2.75 per \$100 AV x proration \$.....
- 14(b). Free and reduced lunch eligible pupil count for the district, as defined in section 163.011 x .30 x GTB x ((the greater of zero or the district's adjusted operating levy minus \$2.75 per \$100 AV) x (1.0 or, beginning in the fifth year following the effective date of this section, the district's FIRE for the prior year/statewide average FIRE for FY 1998, if the district's prior year FIRE is at least five percent below the FY 1998 statewide average FIRE) x proration)] - court-ordered state

- desegregation aid received by the district for
operating purposes \$.....
- [15.] 12. Career ladder entitlement for the district
as provided for in sections 168.500 to 168.515,
RSMo, [x proration] \$.....
- [16.] 13. Vocational education entitlements for the
district as provided in section 167.332, RSMo,
[x proration] \$.....
- [17.] 14. Educational and screening program
entitlements for the district as provided in
sections 178.691 to 178.699, RSMo,
[x proration] \$.....
- [18.] 15. Sum of categorical add-ons for the
district (sum of lines 11-17) \$.....
- [19.] 16. District apportionment (line 18 plus
the greater of line 1 minus line 10 or zero) \$.....

7. Revenue received for school purposes by each school district pursuant to this section shall be placed in each of the incidental and teachers' funds based on the ratio of the property tax rate in the district for that fund to the total tax rate in the district for the two funds.

8. [In addition to the penalty for line 14 described in subsection 6 of this section, beginning in school year 2004-05, any increase in a school district's funds received pursuant to line 14 of subsection 6 of this section over the 1997-98 school year shall be reduced by one percent for each full percentage point the percentage of the district's pupils scoring at or above five percent below the statewide average level on either mathematics or reading is less than sixty-five percent.

9.] If a school district's annual audit discloses that students were inappropriately identified as eligible for free or reduced-price lunch and the district does not resolve the audit finding, the department of elementary and secondary education shall require that the amount of line 1 aid paid on the inappropriately identified pupils be repaid by the district in the next school year and shall additionally impose a penalty of one hundred percent of the line 14 aid paid on such pupils, which penalty shall also be paid within the next school year. Such amounts may be repaid by the district through the withholding of the amount of state aid.

163.036. 1. In computing the amount of state aid a school district is entitled to receive under section 163.031, a school district may use an estimate of the number of eligible pupils for the [ensuing] **current** year, the number of eligible pupils for the immediately preceding year or the number of eligible pupils for the second preceding school year, whichever is greater. **For the 2004-2005 school year only, in order for a school**

district to utilize the summer school add-on for eligible pupils as defined in subdivision (8) of section 163.011 from the immediately preceding or second preceding school years, the district must provide a state-approved summer-school program in the current year with an average daily attendance that meets or exceeds seventy-five percent of that district's summer school average daily attendance from the immediately preceding summer. In all other cases, the summer school add-on for eligible pupils shall only include those eligible pupils that attended summer school in the current year, except that a district may petition the commissioner of education for a one-time waiver of this provision if the district experiences a natural disaster or some other unanticipated adverse event. For the 2005-2006 school year and thereafter, the summer school add-on for eligible pupils shall only include those eligible pupils that attended summer school in the current year, except that a district may petition the commissioner of education for a one-time waiver of this provision if the district experiences a natural disaster or some other unanticipated adverse event. For the 2004-2005 school year and thereafter, in order for a school district to utilize an eligible pupil count for kindergarten from the immediately preceding or second preceding school years, the district must schedule the same number of hours on a daily basis in the current year for kindergarten instruction as that district scheduled in the immediately preceding or second preceding years for kindergarten instruction. In all other cases, the eligible pupils payment shall only include the current year kindergarten average daily attendance. Except as otherwise provided in subsection 3 of this section, any error made in the apportionment of state aid because of a difference between the actual number of eligible pupils and the estimated number of eligible pupils shall be corrected as provided in section 163.091, except that if the amount paid to a district estimating eligible pupils exceeds the amount to which the district was actually entitled by more than five percent, interest at the rate of six percent shall be charged on the excess and shall be added to the amount to be deducted from the district's apportionment the next succeeding year.

2. Notwithstanding the provisions of subsection 1 of this section or any other provision of law, the state board of education shall make an adjustment for the immediately preceding year for any increase in the actual number of eligible pupils above the number on which the state aid in section 163.031 was calculated. Said adjustment shall be made in the manner providing for correction of errors under subsection 1 of this section.

3. (1) For any district which has, for at least five years immediately preceding the year in which the error is discovered, adopted a calendar for the school term in which elementary schools are in session for twelve months of each calendar year, any error made in the apportionment of state aid to such district because of a difference between the actual

number of eligible pupils and the estimated number of eligible pupils shall be corrected as provided in section 163.091 and subsection 1 of this section, except that if the amount paid exceeds the amount to which the district was actually entitled by more than five percent and the district provides written application to the state board requesting that the deductions be made pursuant to subdivision (2) of this subsection, then the amounts shall be deducted pursuant to subdivision (2) of this subsection.

(2) For deductions made pursuant to this subdivision, interest at the rate of six percent shall be charged on the excess and shall be included in the amount deducted and the total amount of such excess plus accrued interest shall be deducted from the district's apportionment in equal monthly amounts beginning with the succeeding school year and extending for a period of months specified by the district in its written request and no longer than sixty months.

4. For the purposes of distribution of state school aid pursuant to section 163.031, a school district may elect to use the district's equalized assessed valuation for the preceding year, or an estimate of the current year's assessed valuation if the current year's equalized assessed valuation is estimated to be more than ten percent less than the district's equalized assessed valuation for the preceding year. A district shall give prior notice to the department of its intention to use the current year's assessed valuation pursuant to this subsection. Any error made in the apportionment of state aid because of a difference between the actual equalized assessed valuation for the current year and the estimated equalized assessed valuation for the current year shall be corrected as provided in section 163.091, except that if the amount paid to a district estimating current equalized assessed valuation exceeds the amount to which the district was actually entitled, interest at the rate of six percent shall be charged on the excess and shall be added to the amount to be deducted from the district's apportionment the next succeeding year.

5. For the purposes of distribution of state school aid pursuant to section 163.031, a school district with ten percent or more of its assessed valuation that is owned by one person or corporation as commercial or personal property who is delinquent in a property tax payment may elect, after receiving notice from the county clerk on or before March fifteenth, except in the year enacted, that more than ten percent of its current taxes due the preceding December thirty-first by a single property owner are delinquent, to use on line 2 of the state aid formula the district's equalized assessed valuation for the preceding year or the actual assessed valuation of the year for which the taxes are delinquent less the assessed valuation of property for which the current year's property tax is delinquent. To qualify for use of the actual assessed valuation of the year for which the taxes are delinquent less the assessed valuation of property for which the current year's property tax is delinquent, a district must notify the department of elementary and secondary education on or before April first, except in the year enacted, of the current year amount of delinquent taxes, the assessed valuation

of such property for which delinquent taxes are owed and the total assessed valuation of the district for the year in which the taxes were due but not paid. Any district giving such notice to the department of elementary and secondary education shall present verification of the accuracy of such notice obtained from the clerk of the county levying delinquent taxes. When any of the delinquent taxes identified by such notice are paid during a four-year period following the due date, the county clerk shall give notice to the district and the department of elementary and secondary education, and state aid paid to the district shall be reduced by an amount equal to the delinquent taxes received plus interest. The reduction in state aid shall occur over a period not to exceed five years and the interest rate on excess state aid not refunded shall be six percent annually.

6. If a district receives state aid based on equalized assessed valuation as determined by subsection 5 of this section and if prior to such notice the district was paid state aid pursuant to subdivision (2) of subsection 5 of section 163.031, the amount of state aid paid during the year of such notice and the first year following shall equal the sum of state aid paid pursuant to line 1 minus line 10 as defined in subsections 1, 2, 3 and 6 of section 163.031 plus the difference between the state aid amount being paid after such notice minus the amount of state aid the district would have received pursuant to line 1 minus line 10 as defined in subsections 1, 2, 3 and 6 of section 163.031 before such notice. To be eligible to receive state aid based on this provision the district must levy during the first year following such notice at least the maximum levy permitted school districts by article X, section 11(b) of the Missouri Constitution and have a voluntary rollback of its tax rate which is no greater than one cent per one hundred dollars assessed valuation.

Section B. Because immediate action is necessary to ensure the efficient operation of the public schools, section 163.036 of this act is deemed necessary for the immediate preservation of the public health, welfare, peace, and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and section 163.036 of this act shall be in full force and effect upon its passage and approval.